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PLEASE PASS TO IO/PSC:BFITZGERALD

E.O. 12958: N/A

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SUBJECT: CHINESE SHOW FLEXIBILITY ON FATF IN CTC

REF: A. FITZGERALD/WILCOX EMAIL--7/5/06

[1](#)B. BEIJING 13679

[1](#)1. The Chinese expert on the Security Council's Counter-Terrorism Committee (CTC) advised USUN LegalOff on July 13 that China would not object to having the CTC include the 40 Recommendations on Money Laundering and the 9 Special Recommendations on Terrorist Financing of the Financial Action Task Force (FATF) in a CTC directory of international best practices, codes, and standards. The CTC will discuss the directory at its July 20 meeting. If the CTC adopts the directory, the CTC would make it available to states and encourage them to apply to maximize their efforts to implement resolution 1373 (2001). (Mission has emailed the draft to IO/PSC separately.)

[1](#)2. The Chinese expert also said China would oppose references to the export control standards of the Wassenaar Arrangement in the directory, arguing that the CTC should not refer to Wassenaar because it is not a United Nations entity and it is body dealing with disarmament. Finally, he expressed discomfort at USUN's suggestion that, in addition to posting the directory on its website and making it available to States, the CTC separately should issue a separate document endorsing the FATF standards, saying he needed instructions.

[1](#)3. Comment: China's willingness to accept references to the FATF standards in the CTC's 24-page directory of best practices is a significant shift from its previous opposition to the FATF standards. Its acceptance appears to reflect the fact that the directory does not single out or specifically endorse the FATF standards. (The directory also lists the 2003 United Nations Model Terrorist Financing Bill, three products of the Bank for International Settlements (the December 1988 Basel statement on prevention of criminal use of the banking system for the purpose of money laundering, the October 2001 "Customer due diligence for banks" publication, and the "General guide to account opening and customer identification" attached to the Basel Committee's publication No. 95 of February 9, 2003, on "Customer due diligence for banks"), and a World Customs Organization recommendation (the Recommendation of the Customs Cooperation Council on the need to develop and strengthen the role of customs administrations in tackling money laundering and in recovering the proceeds of crime, June 25, 2005).

[1](#)4. Attempting to get China to accept any CTC endorsement of the FATF standards in addition to the reference in the CTC's directory of best practices could be counterproductive. In practice, the CTC and its Counter-Terrorism Executive Directorate (CTED) already refer to the FATF standards (even if not by name) in discussions with states. China has never opposed those references. Once the CTC has adopted the

directory, the CTC and CTED should be able to use it to heighten states' awareness of the importance of the FATF standards. The United States has pushed hard for the CTC to develop information concerning best practices, and the directory offers a useful resource. Mission believes the United States should not introduce new issues that could delay the CTC from adopting the directory and making it available to states. End comment.

BOLTON